

United States Senate

WASHINGTON, DC 20510

May 6, 2014

461

The Honorable Thomas Wheeler
Chairman
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

Dear Chairman Wheeler:

We commend the Federal Communications Commission (FCC) for its ongoing efforts to modernize the Universal Service Fund (USF). As reforms move forward, the FCC must adhere to its statutory directive to provide mechanisms for universal service of advanced communications that are both sufficient and predictable. As part of these ongoing efforts, we call on the FCC to implement a mechanism for rural rate-of-return carriers allowing them to receive USF support for broadband-only subscribers in high-cost areas of the United States.

American households increasingly choose to meet their voice communication needs by abandoning their traditional landline “plain old telephone service” (POTS) options in favor of wireless and voice over Internet protocol services. These scenarios are increasingly common nationwide, in both urban and rural areas. Consumers today want the choice to fashion their own communications solutions to suit their needs, and that no longer necessarily includes POTS.

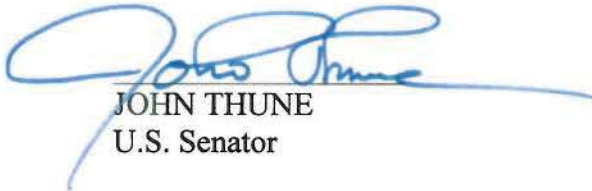
The rules governing USF support in rural areas have not kept up with this dynamic, consumer-driven market development. As you know, under current USF rules small rural carriers can receive high-cost support only for those consumers who subscribe to POTS. USF is supposed to increase broadband deployment, facilitate transition to new communications technologies, and bridge the digital divide, but the outdated paradigm may unintentionally have the opposite effect. The cycle created by the FCC’s current rules could, if not addressed in a timely manner, undermine consumer choice, deter broadband adoption, and inhibit technological evolution.

We recognize that USF reform requires difficult policy balancing. We support measures that ensure High Cost Program distributions are targeted appropriately and invested prudently. The fiscal integrity and accountability of USF provide the credibility necessary for the FCC to fulfill its statutory mandate to ensure rural communications services and prices are reasonably comparable to those in urban areas.

Given our shared commitment to rural consumers, we urge the FCC to propose rules, under authority granted by section 254 of the Communications Act, to carefully update existing USF mechanisms to provide sufficient and predictable support where consumers in areas served by

smaller rural carriers affirmatively choose to adopt only broadband services even where POTS is also available to them. While it is important that the FCC complete its implementation of Phase II of the Connect America Fund in areas served by larger carriers this year, the FCC should nonetheless address smaller carrier support mechanisms expeditiously, accounting for their unique operations. Consumers in areas served by smaller rural carriers should have the same fundamental choices among reasonably comparable services at reasonably comparable rates as consumers in other rural and urban areas.

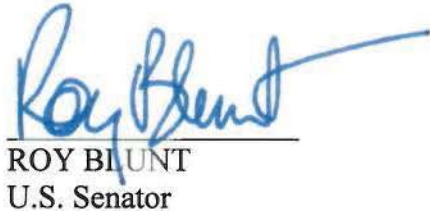
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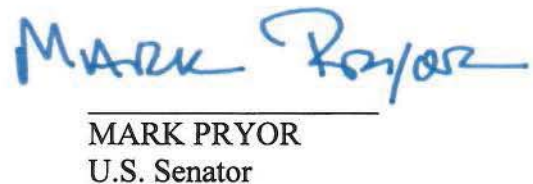
JOHN THUNE
U.S. Senator



AMY KLOBUCHAR
U.S. Senator



ROY BLUNT
U.S. Senator



MARK PRYOR
U.S. Senator



KELLY AYOTTE
U.S. Senator



MARK BEGICH
U.S. Senator



DEAN HELLER
U.S. Senator



JOHN WALSH
U.S. Senator



DEB FISCHER
U.S. Senator



TOM HARKIN
U.S. Senator


RON JOHNSON
U.S. Senator



DAN COATS
U.S. Senator


MITCH McCONNELL
Minority Leader


DICK DURBIN
Assistant Majority Leader


LINDSEY GRAHAM
U.S. Senator


JEFF MERKLEY
U.S. Senator


PAT ROBERTS
U.S. Senator

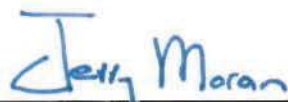

JEANNE SHAHEEN
U.S. Senator


CHUCK GRASSLEY
U.S. Senator


JON TESTER
U.S. Senator


ORRIN HATCH
U.S. Senator


DEBBIE STABENOW
U.S. Senator



JERRY MORAN
U.S. Senator



TIM JOHNSON
U.S. Senator



LISA MURKOWSKI
U.S. Senator



RON WYDEN
U.S. Senator



MIKE ENZI
U.S. Senator



MARK UDALL
U.S. Senator



JOHN BARRASSO
U.S. Senator



TAMMY BALDWIN
U.S. Senator



HEIDI HEITKAMP
U.S. Senator



ANGUS KING
U.S. Senator



JAMES RISCH
U.S. Senator



JAMES INHOFE
U.S. Senator

Mike Crapo

MIKE CRAPO
U.S. Senator

Johnny Isakson

JOHNNY ISAKSON
U.S. Senator

John Hoeven

JOHN HOEVEN
U.S. Senator

Saxby Chamblin
Iris

Al Franken

AL FRANKEN
U.S. Senator

Richard Burr

RICHARD BURR
U.S. Senator

Rob Portman

ROB PORTMAN
U.S. Senator

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FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

June 24, 2014

The Honorable John Thune
Ranking Member
Committee on Commerce, Science and Transportation
United States Senate
560 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Thune:

Thank you for your letter supporting the implementation of a universal service mechanism to allow rural rate-of-return carriers to receive support for broadband-only lines. This is one of the key issues that the Commission raised in the *Connect America Fund Further Notice of Proposed Rulemaking* that we adopted in April. Your views on this matter are very important, and will be included in the record of the proceeding and considered as part of the Commission's review.

The universal service program is one of the most important tools at our disposal to ensure that consumers and businesses in rural America have the same opportunities as their urban and suburban counterparts to be active participants in the United States of the 21st century. We are focused on updating the universal service program to ensure that we are delivering the best possible voice and broadband experiences to rural America within the confines of our Connect America budget, while providing increased certainty and predictability for all carriers and a climate for increased broadband expansion. I agree with you that we need to ensure the universal service support mechanisms are serving their intended purpose of "increas[ing] broadband deployment, facilitat[ing] transition to new communications technologies, and bridg[ing] the digital divide."

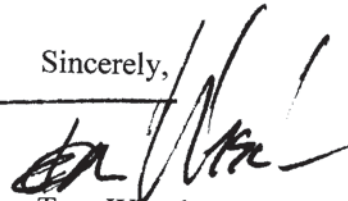
To that end, in April, the Commission voted to move forward with Phase II of the Connect America Fund for price-cap carriers, and took several steps to improve the climate for broadband investment in areas served by incumbent rate-of-return carriers. Most notably, we eliminated the Quantile Regression Analysis benchmarks rule because it was not serving its intended purpose. In addition, in the above-mentioned *Further Notice*, the Commission proposed to adopt a stand-alone broadband funding mechanism for rate-of-return carriers and sought comment on how to support the deployment of broadband-capable networks by rate-of-return carriers within the current budget for the program. We welcome a dialogue regarding how a standalone broadband mechanism could be structured to provide support consistent with the \$2 billion budget for rate-of-return territories.

Page 2—The Honorable John Thune

I look forward to working with you as we continue the work of reforming and modernizing the universal service fund high-cost program – as well as other components of the Fund – to ensure that all Americans have access to robust voice and broadband services.

I appreciate your interest in this matter. Please let me know if I can be of any further assistance.

Sincerely,



Tom Wheeler



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

June 24, 2014

The Honorable John Hoeven
United States Senate
338 Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Hoeven:

Thank you for your letter supporting the implementation of a universal service mechanism to allow rural rate-of-return carriers to receive support for broadband-only lines. This is one of the key issues that the Commission raised in the *Connect America Fund Further Notice of Proposed Rulemaking* that we adopted in April. Your views on this matter are very important, and will be included in the record of the proceeding and considered as part of the Commission's review.

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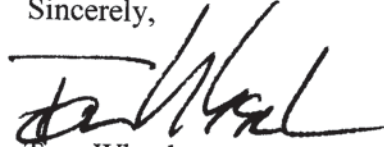
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Sincerely,



Tom Wheeler



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

June 24, 2014

The Honorable John Barrasso
United States Senate
307 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Barrasso:

Thank you for your letter supporting the implementation of a universal service mechanism to allow rural rate-of-return carriers to receive support for broadband-only lines. This is one of the key issues that the Commission raised in the *Connect America Fund Further Notice of Proposed Rulemaking* that we adopted in April. Your views on this matter are very important, and will be included in the record of the proceeding and considered as part of the Commission's review.

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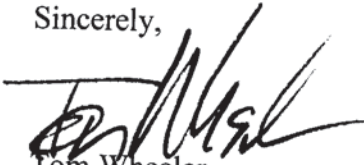
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Sincerely,



Tom Wheeler



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

June 24, 2014

The Honorable Jerry Moran
United States Senate
361A Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Moran:

Thank you for your letter supporting the implementation of a universal service mechanism to allow rural rate-of-return carriers to receive support for broadband-only lines. This is one of the key issues that the Commission raised in the *Connect America Fund Further Notice of Proposed Rulemaking* that we adopted in April. Your views on this matter are very important, and will be included in the record of the proceeding and considered as part of the Commission's review.

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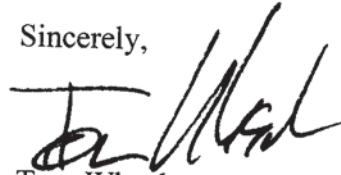
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Page 2—The Honorable Jerry Moran

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Tom Wheeler



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

June 24, 2014

The Honorable Jeff Merkley
United States Senate
313 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Merkley:

Thank you for your letter supporting the implementation of a universal service mechanism to allow rural rate-of-return carriers to receive support for broadband-only lines. This is one of the key issues that the Commission raised in the *Connect America Fund Further Notice of Proposed Rulemaking* that we adopted in April. Your views on this matter are very important, and will be included in the record of the proceeding and considered as part of the Commission's review.

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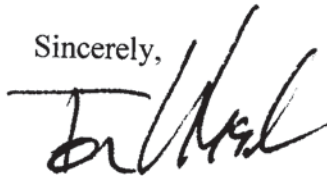
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Page 2—The Honorable Jeff Merkley

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I appreciate your interest in this matter. Please let me know if I can be of any further assistance.

Sincerely,

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Tom Wheeler



OFFICE OF
THE CHAIRMAN

FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

June 24, 2014

The Honorable Jeanne Shaheen
United States Senate
520 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Shaheen:

Thank you for your letter supporting the implementation of a universal service mechanism to allow rural rate-of-return carriers to receive support for broadband-only lines. This is one of the key issues that the Commission raised in the *Connect America Fund Further Notice of Proposed Rulemaking* that we adopted in April. Your views on this matter are very important, and will be included in the record of the proceeding and considered as part of the Commission's review.

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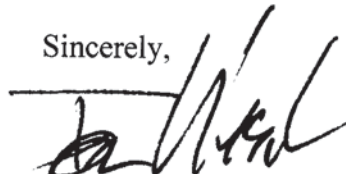
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Page 2—The Honorable Jeanne Shaheen

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Sincerely,



Tom Wheeler



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

June 24, 2014

The Honorable James Risch
United States Senate
483 Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Risch:

Thank you for your letter supporting the implementation of a universal service mechanism to allow rural rate-of-return carriers to receive support for broadband-only lines. This is one of the key issues that the Commission raised in the *Connect America Fund Further Notice of Proposed Rulemaking* that we adopted in April. Your views on this matter are very important, and will be included in the record of the proceeding and considered as part of the Commission's review.

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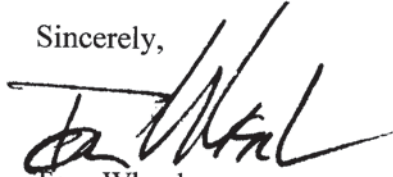
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Page 2—The Honorable James Risch

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Sincerely,



Tom Wheeler



OFFICE OF
THE CHAIRMAN

FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

June 24, 2014

The Honorable James Inhofe
United States Senate
205 Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Inhofe:

Thank you for your letter supporting the implementation of a universal service mechanism to allow rural rate-of-return carriers to receive support for broadband-only lines. This is one of the key issues that the Commission raised in the *Connect America Fund Further Notice of Proposed Rulemaking* that we adopted in April. Your views on this matter are very important, and will be included in the record of the proceeding and considered as part of the Commission's review.

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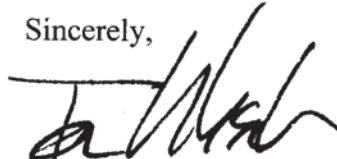
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Page 2—The Honorable James Inhofe

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Tom Wheeler



OFFICE OF
THE CHAIRMAN

FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

June 24, 2014

The Honorable Heidi Heitkamp
United States Senate
502 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Heitkamp:

Thank you for your letter supporting the implementation of a universal service mechanism to allow rural rate-of-return carriers to receive support for broadband-only lines. This is one of the key issues that the Commission raised in the *Connect America Fund Further Notice of Proposed Rulemaking* that we adopted in April. Your views on this matter are very important, and will be included in the record of the proceeding and considered as part of the Commission's review.

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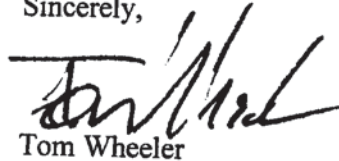
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Tom Wheeler



FEDERAL COMMUNICATIONS COMMISSION
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OFFICE OF
THE CHAIRMAN

June 24, 2014

The Honorable Dick Durbin
United States Senate
711 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Durbin:

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The universal service program is one of the most important tools at our disposal to ensure that consumers and businesses in rural America have the same opportunities as their urban and suburban counterparts to be active participants in the United States of the 21st century. We are focused on updating the universal service program to ensure that we are delivering the best possible voice and broadband experiences to rural America within the confines of our Connect America budget, while providing increased certainty and predictability for all carriers and a climate for increased broadband expansion. I agree with you that we need to ensure the universal service support mechanisms are serving their intended purpose of "increas[ing] broadband deployment, facilitat[ing] transition to new communications technologies, and bridg[ing] the digital divide."

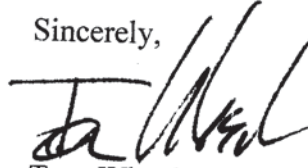
To that end, in April, the Commission voted to move forward with Phase II of the Connect America Fund for price-cap carriers, and took several steps to improve the climate for broadband investment in areas served by incumbent rate-of-return carriers. Most notably, we eliminated the Quantile Regression Analysis benchmarks rule because it was not serving its intended purpose. In addition, in the above-mentioned *Further Notice*, the Commission proposed to adopt a stand-alone broadband funding mechanism for rate-of-return carriers and sought comment on how to support the deployment of broadband-capable networks by rate-of-return carriers within the current budget for the program. We welcome a dialogue regarding how a standalone broadband mechanism could be structured to provide support consistent with the \$2 billion budget for rate-of-return territories.

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I look forward to working with you as we continue the work of reforming and modernizing the universal service fund high-cost program – as well as other components of the Fund – to ensure that all Americans have access to robust voice and broadband services.

I appreciate your interest in this matter. Please let me know if I can be of any further assistance.

Sincerely,



Tom Wheeler